

109TH CONGRESS  
1ST SESSION

# H. R. 868

To amend title XVIII of the Social Security Act to improve the provision of items and services provided to Medicare beneficiaries residing in rural areas.

---

## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 16, 2005

Mr. SMITH of Washington (for himself, Mr. BAIRD, Mr. DICKS, Mr. INSLEE, Mr. LARSEN of Washington, and Mr. McDERMOTT) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

---

## A BILL

To amend title XVIII of the Social Security Act to improve the provision of items and services provided to Medicare beneficiaries residing in rural areas.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “MediFair Act of  
5 2005”.

6 **SEC. 2. FINDINGS.**

7 Congress makes the following findings:

1           (1) Regional inequities in medicare reimburse-  
2           ment have created barriers to care for seniors and  
3           the disabled.

4           (2) The regional inequities in medicare reim-  
5           bursement penalize States that have cost-effective  
6           health care delivery systems and reward those States  
7           with high utilization rates and that provide ineffi-  
8           cient care.

9           (3) Over a lifetime, those inequities can mean  
10          as much as a \$50,000 difference in the cost of care  
11          provided per beneficiary.

12          (4) Regional inequities have resulted in creating  
13          very different medicare programs for seniors and the  
14          disabled based on where they live.

15          (5) Because the MedicareAdvantage rate is  
16          based on the fee-for-service reimbursement rate, re-  
17          gional inequities have allowed some medicare bene-  
18          ficiaries access to plans with significantly more bene-  
19          fits including prescription drugs. Beneficiaries in  
20          States with lower reimbursement rates have not ben-  
21          efited to the same degree as beneficiaries in other  
22          parts of the country.

23          (6) Regional inequities in medicare reimburse-  
24          ment have created an unfair competitive advantage  
25          for hospitals and other health care providers in

1 States that receive above average payments. Higher  
 2 payments mean that those providers can pay higher  
 3 salaries in a tight, competitive market.

4 (7) Regional inequities in medicare reimburse-  
 5 ment can limit timely access to new technology for  
 6 beneficiaries in States with lower reimbursement  
 7 rates.

8 (8) Regional inequities in medicare reimburse-  
 9 ment, if left unchecked, will reduce access to medi-  
 10 care services and impact healthy outcomes for bene-  
 11 ficiaries.

12 (9) Regional inequities in medicare reimburse-  
 13 ment are not just a rural versus urban problem.  
 14 Many States with large urban centers are at the bot-  
 15 tom of the national average for per beneficiary costs.

16 **SEC. 3. IMPROVING FAIRNESS OF PAYMENTS TO PRO-**  
 17 **VIDERS UNDER THE MEDICARE FEE-FOR-**  
 18 **SERVICE PROGRAM.**

19 Title XVIII of the Social Security Act (42 U.S.C.  
 20 1395 et seq.) is amended by adding at the end the fol-  
 21 lowing new section:

22 “IMPROVING PAYMENT EQUITY UNDER THE ORIGINAL  
 23 MEDICARE FEE-FOR-SERVICE PROGRAM

24 “SEC. 1898. (a) IN GENERAL.—Notwithstanding any  
 25 other provision of law, the Secretary shall establish a sys-  
 26 tem for making adjustments to the amount of payment

1 made to entities and individuals for items and services  
2 provided under the original medicare fee-for-service pro-  
3 gram under parts A and B.

4 “(b) SYSTEM REQUIREMENTS.—

5 “(1) INCREASE FOR STATES BELOW THE NA-  
6 TIONAL AVERAGE.—Under the system established  
7 under subsection (a), if a State average per bene-  
8 ficiary amount for a year is less than the national  
9 average per beneficiary amount for such year, then  
10 the Secretary (beginning in 2006) shall increase the  
11 amount of applicable payments in such a manner as  
12 will result (as estimated by the Secretary) in the  
13 State average per beneficiary amount for the subse-  
14 quent year being equal to the national average per  
15 beneficiary amount for such subsequent year.

16 “(2) REDUCTION FOR CERTAIN STATES ABOVE  
17 THE NATIONAL AVERAGE TO ENHANCE QUALITY  
18 CARE AND MAINTAIN BUDGET NEUTRALITY.—

19 “(A) IN GENERAL.—The Secretary shall  
20 ensure that the increase in payments under  
21 paragraph (1) does not cause the estimated  
22 amount of expenditures under this title for a  
23 year to increase or decrease from the estimated  
24 amount of expenditures under this title that  
25 would have been made in such year if this sec-

tion had not been enacted by reducing the amount of applicable payments in each State that the Secretary determines has—

“(i) a State average per beneficiary amount for a year that is greater than the national average per beneficiary amount for such year; and

“(ii) healthy outcome measurements or quality care measurements that indicate that a reduction in applicable payments would encourage more efficient use of, and reduce overuse of, items and services for which payment is made under this title.

“(B) LIMITATION.—The Secretary shall not reduce applicable payments under subparagraph (A) to a State that—

“(i) has a State average per beneficiary amount for a year that is greater than the national average per beneficiary amount for such year; and

“(ii) has healthy outcome measurements or quality care measurements that indicate that the applicable payments are being used to improve the access of beneficiaries to quality care.

1 “(3) DETERMINATION OF AVERAGES.—

2 “(A) STATE AVERAGE PER BENEFICIARY  
3 AMOUNT.—Each year (beginning in 2005), the  
4 Secretary shall determine a State average per  
5 beneficiary amount for each State which shall  
6 be equal to the Secretary’s estimate of the aver-  
7 age amount of expenditures under the original  
8 medicare fee-for-service program under parts A  
9 and B for the year for a beneficiary enrolled  
10 under such parts that resides in the State.

11 “(B) NATIONAL AVERAGE PER BENE-  
12 FICIARY AMOUNT.—Each year (beginning in  
13 2005), the Secretary shall determine the na-  
14 tional average per beneficiary amount which  
15 shall be equal to the average of the State aver-  
16 age per beneficiary amount determined under  
17 subparagraph (A) for the year.

18 “(4) DEFINITIONS.—In this section:

19 “(A) APPLICABLE PAYMENTS.—The term  
20 ‘applicable payments’ means payments made to  
21 entities and individuals for items and services  
22 provided under the original medicare fee-for-  
23 service program under parts A and B to bene-  
24 ficiaries enrolled under such parts that reside in  
25 the State.

1                   “(B) STATE.—The term ‘State’ has the  
2                   meaning given such term in section 210(h).

3                   “(c) BENEFICIARIES HELD HARMLESS.—The provi-  
4                   sions of this section shall not affect—

5                   “(1) the entitlement to items and services of a  
6                   beneficiary under this title, including the scope of  
7                   such items and services; or

8                   “(2) any liability of the beneficiary with respect  
9                   to such items and services.

10                  “(d) REGULATIONS.—

11                  “(1) IN GENERAL.—The Secretary, in consulta-  
12                  tion with the Medicare Payment Advisory Commis-  
13                  sion, shall promulgate regulations to carry out this  
14                  section.

15                  “(2) PROTECTING RURAL COMMUNITIES.—In  
16                  promulgating the regulations pursuant to paragraph  
17                  (1), the Secretary shall give special consideration to  
18                  rural areas.”.

19   **SEC. 4. MEDPAC RECOMMENDATIONS ON HEALTHY OUT-**  
20                   **COMES AND QUALITY CARE.**

21                  (a) RECOMMENDATIONS.—The Medicare Payment  
22                  Advisory Commission established under section 1805 of  
23                  the Social Security Act (42 U.S.C. 1395b–6) shall develop  
24                  recommendations on policies and practices that, if imple-  
25                  mented, would encourage—

1           (1) healthy outcomes and quality care under the  
2        medicare program in States with respect to which  
3        payments are reduced under section 1897(b)(2) of  
4        such Act (as added by section 3); and

5           (2) the efficient use of payments made under  
6        the medicare program in such States.

7        (b) SUBMISSION.—Not later than the date that is 9  
8        months after the date of enactment of this Act, the Com-  
9        mission shall submit to Congress the recommendations de-  
10       veloped under subsection (a).

○